

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION of OIL, GAS and MINING  
1594 West North Temple, Suite 1210  
Box 145801  
Salt Lake City, Utah 84114-5801  
(801) 538-5291  
Fax: (801) 359-3940

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SMALL MINE RECLAMATION CONTRACT

MAY 04 2007

DIV. OF OIL, GAS & MINING

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Western Clay Company the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. S/027/101 which the Operator has filed with the Division and has been determined by the Division to be complete (Complete NOI) as required by the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (2005, as amended) (hereinafter referred to as "Act") and the regulations adopted pursuant to the Act; and

WHEREAS, Operator is obligated to reclaim the lands affected by the mining operations in accordance with the Act and the regulations, and is obligated to provide a surety in a form and amount approved by the Division or the Board of Oil, Gas and Mining (Board) to assure reclamation of the lands affected by the mining operations.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to promptly reclaim in accordance with the requirements of the Act and applicable regulations, as they may be amended, all of the lands affected by the mining operations conducted or to be conducted pursuant to a Complete Notice of Intention.
2. The Lands Affected by the mining operations and subject to the requirements of the Act and this Contract include:

- A. All surface and subsurface areas affected or to be affected by the mining operations including but not limited to private on site ways, roads, railroads; land excavations; drill sites and

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workings; refuse banks or spoil piles; evaporation or settling ponds; stockpiles; leaching dumps; placer areas; tailings ponds or dumps; work, parking, storage, and waste discharge areas, structures, and facilities; and

- B. All mining disturbances regardless of discrepancies in the map and legal description, unless explicitly and clearly identified as EXCLUDED on maps, and legal descriptions included in the Complete NOI; provided lands may be excluded only if: (1) they were disturbed by mining operations that ceased prior to July 1, 1977; (2) the lands would be included but have been reclaimed in accordance with a complete notice or reclamation plan; or (3) the lands were disturbed by a prior operation for which there is no surety, no legally responsible entity or person, and which lands are not necessarily or incidentally intended to be affected by the mining operations as described in the Complete NOI.
3. The Operator shall be responsible for reclamation of all such Lands Affected regardless of errors or discrepancies in the maps or legal descriptions provided with the NOI which are intended to assist in determining the location of the mining operations, to describe the areas of disturbance, and to assist estimating the amount of surety required.
4. The Operator prior to commencement of any mining operations and as a precondition to the rights under the Notice of Intention shall provide a surety in a form permitted by the Act and in an amount sufficient to assure that reclamation of the Lands Affected will be completed as required by the Act. The Surety shall remain in full force and effect according to its terms unless modified by the Division in writing. A copy of the agreement providing for the Surety for the reclamation obligations herein is included as **ATTACHMENT A** to this Contract.
5. If the Surety expressly provides for cancellation or termination for non-renewal:
- A. The Operator shall within 60 days following the Division's receipt of notice that the Surety will be terminated or cancelled, provide a replacement Surety sufficient in a form and amount, as required by the Act, to replace the cancelled surety; or
  - B. If the Operator fails to provide an acceptable replacement Surety within 60 days of notice of cancellation or termination, the Division may order the Operator to cease further mining activities, and without further notice proceed to draw upon letters of credit, to withdraw any amounts in certificates of deposit or cash and/or any other forms of surety, and to otherwise take such action as may be necessary to secure the rights of the Division to perfect its claim on the existing surety

for the purpose of fully satisfying all of the reclamation obligations incurred by the Operator prior to the date of termination, and the Division may thereafter require the Operator to begin immediate reclamation of the Lands Affected by the mining operations, and may, if necessary, proceed to take such further actions as may be required for the Division to forfeit the surety for the purpose of reclaiming the Lands Affected.

6. The Operator's liability under this Contract shall continue in full force and effect until the Division finds that the Operator has reclaimed the Lands Affected by mining operations in accordance with the Act and regulations, as amended. If the mining operations are modified or for any other reason vary from those described in the Complete Notice of Intention, the Operator shall immediately advise the Division, and the Notice of Intention shall be revised and the Surety amount shall be adjusted as necessary.
7. If reclamation of a substantial phase or segment of the Lands Affected by the mining operations is completed to the satisfaction of the Division, and the Division finds that such substantial phases or segments are severable from the remainder of the mining area, Operator may request the Division to find that Operator has reclaimed such area. If the Division makes such finding, Operator may make request to the Division for a reduction in the aggregate face amount of the Surety, and the Division may reduce the surety to an amount necessary to complete reclamation of the remaining mining operations as anticipated by the Complete Notice of Intention in accordance with the requirements of the Act and regulations, as amended.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the applicable rules.
9. Operator agrees to pay all legally determined public liability and property damage claims resulting from mining operations, to pay all permit fees, to maintain suitable records, to file all required reports, to permit reasonable inspections, and to fulfill all sundry reporting requirements applicable to the mine as required by the Act and implementing rules.
10. Operator agrees to indemnify and hold harmless the State, Board, and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
11. If Operator shall default in the performance of its obligations hereunder, Operator shall be liable for all damages resulting from the breach hereof including all costs, expenses, and reasonable attorney's fees incurred by the Division and/or the Board in the enforcement of this Contract.

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12. Any breach of a material provision of this Contract by Operator may, at the discretion of the Division, in addition to other remedies available to it, result in an order by the Division requiring the Operator to cease mining operations, and may thereafter result in an Order, subject to an opportunity for notice and hearing before the Board, withdrawing and revoking the Notice of Intention, and requiring immediate reclamation by the Operator of the Lands Affected or forfeiture of the Surety.
13. In the event of forfeiture of the Surety, Operator shall be liable for any additional costs in excess of the surety amount that is required to comply with this Contract. Upon completion of the reclamation of all of the Lands Affected, any excess monies resulting from forfeiture of the Surety shall be returned to the rightful claimant.
14. The Operator shall notify the Division immediately of any changes in the Operator's registered agent, the Operator's address, form of business, name of business, significant changes in ownership, and other pertinent changes in the information required as part of the Notice of Intention. Notwithstanding this requirement, any changes to the Notice of Intention, and any errors, omissions, or failures to fully or accurately complete or update the information on the Notice of Intention, or the attached maps, shall not affect the validity of this Contract and the rights of the Division to enforce its terms.
15. If requested by the Division, the Operator shall execute addendums to this Contract to add or substitute parties, or to reflect changes in the Operator, Surety, and otherwise modify the Contract to reflect changes in the mining operations as requested by the Division. All modifications must be in writing and signed by the parties, and no verbal agreements, or modifications in any of the terms or conditions shall be enforceable.
16. This Contract shall be governed and construed in accordance with the laws of the State of Utah.

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The signatory below represents that the Operator, if not a natural person, is a properly organized entity in good standing under the laws of Utah and the United States, is registered as an entity authorized to do business in the State of Utah, and that he/she is authorized to execute this Contract on behalf of the entity as Operator.

OPERATOR:

Western clay Co.  
Operator Name

By Brad Boyer  
Authorized Officer (Typed or Printed)  
President  
Authorized Officer - Position

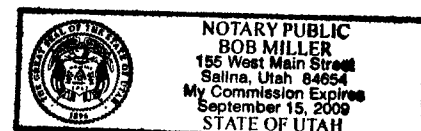
[Signature] 5-1-7  
Officer's Signature Date

STATE OF Utah)  
COUNTY OF Garfield) ss:

On the 1st day of May, 2007, Brad Boyer  
personally appeared before me, who being by me duly sworn did say that  
he/she is an Officer (owner, officer, director, partner, agent  
or other (specify)) of the Operator \_\_\_\_\_ and duly  
acknowledged that said instrument was signed on behalf of said Operator by  
authority of its bylaws, a resolution of its board of directors or as may otherwise  
be required to execute the same with full authority and to be bound hereby.

[Signature]  
Notary Public  
Residing at Salina

My Commission Expires: 9/15/09



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DIVISION OF OIL, GAS AND MINING:

By John R. Baza  
John R. Baza, Director

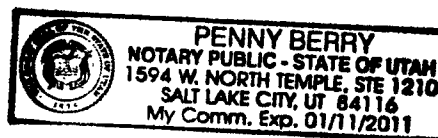
5/17/07  
Date

STATE OF Utah)  
COUNTY OF Salt Lake) ss:

On the 17 day of May, 2007, John R. Baza  
personally appeared before me, who being duly sworn did say that he, the said  
John R. Baza is the Director of the Division of Oil, Gas and Mining,  
Department of Natural Resources, State of Utah, and he duly acknowledged to me that  
he executed the foregoing document by authority of law on behalf of the State of Utah.

Penny Berry  
Notary Public  
Residing at: Salt Lake

1/11/2011  
My Commission Expires:



## **FACT SHEET**

**Commodity:** Limestone

**Mine Name:** Three Knolls Mine

**County:** Millard

**Disturbed Acres:** 5 (five)

**Operator Name:** Western Clay Company

**Operator address:** 620 E STATE HWY 24 AURORA UT 84620

**Operator telephone:** (435) 529-3281

**Operator fax:** (435) 529-3714

**Operator email:** bboyter@hotmail.com

**Contact:** Brad Boyter

**Surety Type:** LOC

**Held by (Bank/BLM):** Zions First National Bank

**Surety Amount:** \$18,600

**Surety Account Number:** ~~\_\_\_\_\_~~ \_\_\_\_\_

**UTU and/or ML number:** n/a

**Escalation Year:** 2009

**Tax ID or Social Security (for cash only):** n/a

**IRREVOCABLE STANDBY LETTER OF CREDIT NO.**

Date: April 16, 2007

STATE OF UTAH  
UTAH DIVISION OF OIL, GAS AND MINING (DOGM)  
("DIVISION")  
1594 West North Temple, Suite 1210  
P.O. Box 145801  
Salt Lake City, Utah 84114-5801

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APR 1 / 2007  
DIV. OF OIL, GAS & MINING

Dear Sir/Madam:

At the request of WESTERN CLAY COMPANY ("Operator"), P.O. BOX 127, AURORA, UT 84620, we, ZIONS FIRST NATIONAL BANK ("Bank") hereby establish our Irrevocable Standby Letter of Credit ("Letter of Credit") in your favor up to an aggregate amount of Eighteen Thousand Six Hundred and 00/100 United States Dollars (USD18,600.00). This credit is available for payment against presentation of your draft(s) at Sight drawn on Zions First National Bank, bearing the clause: "Drawn under credit No. ZSB801942 of ZIONS FIRST NATIONAL BANK".

1. This Letter of Credit will expire upon the first event set forth as follows: (a) 5:00 o'clock p.m (Los Angeles time) on April 15, 2008, or (b) the date upon which sufficient documents are executed by the Division to release Western Clay Company ("Operator") from further liability for reclamation of Western Clay Company Inc., Three Knolls, S0270101, Millard County, Utah with notice to Bank by the Division accompanied by the original Letter of Credit with directions for cancellation.
2. This Letter of Credit will be automatically extended, without amendment, for successive periods of one year from the current or any future expiration date unless at least ninety(90) days prior to such expiration date, we notify the Division writing, by certified mail or courier service that we elect not to renew this Letter of Credit for any additional period.
3. Funds under the Letter of Credit are available against the Division's sight draft, in the form of Exhibit A, specifying Letter of Credit No. ZSB801942 delivered to the office of the Bank, 550 South Hope Street, 3rd Floor, Los Angeles, CA 90071. At the Division's sole election, the Division may present sight drafts for less than the Credit Amount so long as the aggregate amount of all sight drafts does not exceed the Credit Amount. Each draft must be accompanied by a certificate in the form of Exhibit B, signed by a duly authorized representative of the Division
4. If the Bank receives the Division's sight draft(s) and certificate(s) as provided in Paragraph No. 3 above on or before the expiration or termination of this Letter of Credit, the Bank will make such amount as the Division may specify, within the limits of the second sentence of Paragraph No. 3 of this Letter of Credit, available to the Division no later than the close of business, Los Angeles time, on the second business day following the Bank's receipt of the sight draft and certificate and in such a manner as the Division may specify "Business Day" means any day that is not a Saturday, Sunday or other day on which commercial bank in the State of California are authorized or required by law to close.
5. The Bank will give prompt notice to the Operator and to the Division Director of any notice received or action filed alleging the insolvency or bankruptcy of the Bank, or alleging any violations of regulatory requirements, which could result in suspension or revocation of the Bank's charter or license to do business.

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6. The Letter of Credit will be governed by the laws of the State of Utah and shall be subject to the Uniform Customs and Practice of Documentary Credit, 1993 revision, International Chamber of Commerce Publication No. 500, as the same may be amended and in effect from time to time ("UCP"). In the event of a conflict between Utah law and the UCP, Utah law shall govern.

7. All communications regarding this Letter of Credit will be addressed to ZIONS FIRST NATIONAL BANK, International Operations, 550 South Hope Street, 3rd Floor, Los Angeles, CA 90071 Telephone (213) 593-2131, (213) 593-2130 or (213) 593-2127, referencing Letter of Credit No. ZSB801942.

8. In the event the Bank gives notice to the Division that the expiration date of the Letter of Credit will not be extended, the Division may, until the current expiration date of the Letter of Credit, draw under the Letter of Credit against its sight draft(s) in accordance with the Provision of Paragraph 3.

Sincerely,



Authorized Signature

**Linda Shum**  
**Vice President**